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SUBJECT: CODEL SHUSTER RAISES ENERGY, IRAN, DEMOCRACY AND
HUMAN RIGHTS WITH PRESIDENT ALIYEV

Classified By: Charge d'Affaires Donald Lu for reasons 1.4 (b) and (d).

¶1. (C) Summary: During a friendly January 10 meeting, Azerbaijani President Ilham Aliyev and CODEL Shuster discussed a wide range of issues including strengthening the U.S.-Azerbaijan partnership, energy, Iran, Azerbaijan's growing regional role, and the Farhad Aliyev case. President Aliyev outlined Azerbaijan's growing regional role and focus on fully integrating with the West. Aliyev briefed the group on Azerbaijan's energy policy, noting that Azerbaijan's next objective was to get Caspian gas supplies to transit Azerbaijan to Europe. Aliyev highlighted Azerbaijan's economic reform agenda, noting that the GOAJ was working to boost investment in the information technology sector. On regional issues, Aliyev sought support for Azerbaijan's position in the NK conflict, and expressed concern with Iran's nuclear program. President Aliyev said that jailed ex-Minister Farhad Aliyev was being treated humanely and alleged that Aliyev had links to Iran. End Summary.

¶2. (C) In a 90-minute meeting on January 10, CODEL Shuster and President Ilham Aliyev discussed a wide range of issues, including the U.S.-Azerbaijan partnership, Azerbaijan's growing regional role, Azerbaijan's energy policy, and the upcoming 2008 Azerbaijani presidential elections. The CODEL included Representative Bill Shuster (R-PA), Representative Jon Porter (R-NV), Representative Philip English (R-PA), Representative Shelley Moore Capito (R-WV), and Congressional Staffer John Wason. President Aliyev thanked the CODEL for visiting Azerbaijan, noting that high-level visits by U.S. officials have helped build a strong base for the U.S.-Azerbaijan partnership. Aliyev outlined to the group Azerbaijan's growing regional role and focus on fully integrating with the West. He also noted that the country's capacity is growing quickly enabling Azerbaijan to be independent from its neighbors, in particular Russia. Aliyev told the group that Azerbaijan is and will be a strategically reliable friend of the West that can contribute to global security.

ENERGY

¶3. (C) President Aliyev briefed the group on Azerbaijan's energy policy and the country's efforts to modernize and develop since the mid-1990s, noting the importance of using wisely Azerbaijan's energy wealth. He said that Azerbaijan was benefiting from its energy wealth and that the country

was one of the most independent in the Commonwealth of Independent States. Aliyev told the CODEL that the first oil tanker bound for the U.S. with Azerbaijani oil had set sail from Ceyhan, Turkey in the past week. Aliyev thanked the U.S. for its continued guidance and support in its energy policy. He urged the U.S. to continue to persuade Turkmenistan and Kazakhstan to send their energy resources to the West through Azerbaijan.

¶4. (C) Aliyev said that Azerbaijan had accomplished many of its energy objectives, including building the BTC pipeline and exporting gas to Georgia, Turkey and Europe. He observed that only Azerbaijan and Russia were independent suppliers of gas, noting that both Kazakhstan and Turkmenistan relied on Russian pipeline infrastructure to export their energy resources. Aliyev said that Azerbaijan's next objective was to get Caspian regional energy supplies to transit Azerbaijan to Europe, noting that it was in both Turkmenistan and Kazakhstan's interests to have their energy resources transit Azerbaijan. Aliyev said that Turkey should not be a gas hub for Azerbaijani gas and that Azerbaijan and Turkey were working on a gas transit agreement.

ECONOMIC REFORM, OIL FUND AND INFORMATION TECHNOLOGY

¶5. (C) President Aliyev briefed CODEL Shuster on Azerbaijan's economic reform agenda, highlighting that Azerbaijan was one of the fastest growing economies in the world. He said that the GOAJ was working to boost investment in the information technology sector, noting that Azerbaijan was producing personal computers. Aliyev said that the GOAJ was spending large amounts of money to improve health care, education and infrastructure. He briefed the group on the Oil Fund and its operations, highlighting its transparency and the need to

restrain spending for future savings and macroeconomic stability.

¶6. (C) Aliyev briefed the CODEL on Azerbaijan's plans to expand its information technology (IT) sector base and develop the country's human capital. He said that since the energy resources of the country will eventually decrease, it was important to develop a strong education system and robust non-oil sector. Aliyev proudly stated that the private sector was vibrant and growing. Representatives Porter and English highlighted Azerbaijan's positive steps on WTO accession and sought told Aliyev that the U.S. sought increased investment opportunities in Azerbaijan, with Porter specifically supporting the highway project proposed by Bechtel.

ARMENIA

¶7. (C) President Aliyev briefed the CODEL on Armenia's "unacceptable occupation of 20 percent of Azerbaijan territory," highlighting the strength of Armenia's lobby in the U.S. and Europe. He told the group that it was fine to be pro-Armenia as long as you were not anti-Azerbaijan. He blamed the Armenian lobby for the lack of success in resolving the conflict with Armenia. Aliyev lamented that despite optimistic negotiations to date there had been no real results to resolve the conflict, calling Armenia's actions "ethnic cleansing." He said that he was hopeful there would be more support from the West for Azerbaijan. He briefed the group on Armenia's strong military and economic ties to Russia, noting that there are Russian troops in Armenia. Aliyev said that sanctions contained in Section 907 of the Freedom Support Act were Azerbaijan's biggest issue with the U.S. Congress.

IRAN

¶8. (C) Calling the threat from Iran Azerbaijan's second biggest concern after Armenia, Aliyev told CODEL Shuster that Azerbaijan does not have easy relations with its southern

neighbor. Aliyev said that Azerbaijan was concerned with Iran's nuclear program. He told the group that Azerbaijani security services had recently arrested a group of 15 spies (a reference to the Mahdi Army group), proving Iran's threat to Azerbaijan. Aliyev said that the U.S. should continue to assemble a broad international coalition to stop Iran from acquiring nuclear weapons, noting that only united pressure will work. He suggested that U.S. efforts to build a coalition have helped isolate Iran and speculated that Russia would not allow Iran to obtain nuclear weapons, but would wait to do so until the international community recognized that only Russia was capable of doing this.

GROWING RELIGIOSITY

¶9. (C) Aliyev briefed the CODEL on growing religiosity in Azerbaijan, calling it a minor risk that the GOAJ was taking measures to alleviate. Aliyev stated that there had been attempts to penetrate Azerbaijan by religious groups, especially from Iran and the Middle East. He noted that some investment funds in the Middle East were supporting these religious groups. Aliyev said that if the Azerbaijani people are happy then there will be no place for bad influences. He reiterated that the GOAJ was taking steps to limit the influence of Islamic groups, including reforming Azerbaijan's political system to align it closer to western standards and strengthening the secular base.

DEMOCRACY AND ELECTIONS

¶10. (C) CODEL Shuster told President Aliyev that Azerbaijan needed to continue with its positive steps and actions to reform the economy and the political system, such as the pardon for the five imprisoned journalists. Representative Shuster underscored the importance of a transparent 2008 presidential election, calling it key. Shuster told the president that positive actions by Azerbaijan make it easier to support Azerbaijani issues in the U.S.

FARHAD ALIYEV CASE

¶11. (C) Representative Shuster raised the Farhad Aliyev case, telling President Aliyev that there is a pending congressional resolution regarding the humanitarian situation of Farhad Aliyev. Shuster noted that Azerbaijan might consider improving Farhad Aliyev's humanitarian condition to prevent such a resolution. President Aliyev said that Farhad Aliyev was not being treated inhumanely and that there was no humanitarian crisis. He said that Farhad Aliyev is being treated like all other prison inmates and that the case's attention in Europe and the U.S. was due to his "powerful lawyers." He said that Farhad Aliyev has had many visits by his family and lawyers. Azerbaijani Ambassador to the U.S. Yashar Aliyev, also in the meeting, said that he had gotten a full brief from the Ministry of National Security on Farhad Aliyev's condition and will be presenting the facts in Washington. The President called Farhad Aliyev one of the most corrupt and richest men in Azerbaijan and said that Farhad Aliyev was connected to powerful figures in Europe and the U.S. (possibly referring to Azerbaijani opposition leader Rasul Guliyev). The President said that Farhad Aliyev had connections to powerful people in Iran, adding that Farhad Aliyev was not a "pro-western reformer" but more closely aligned to Iran.

¶12. (U) CODEL Shuster did not have the opportunity to review this message.

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